



# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

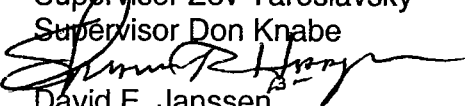
YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

February 7, 2006

To: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
From:   
David E. Janssen  
Chief Administrative Officer

## SACRAMENTO UPDATE

### ADDITIONAL INFORMATION ON THE GOVERNOR'S FY 2006-07 PROPOSED BUDGET ON THE COUNTY

#### Impact of Proposed Budget

As reported in our January 10, 2006 Sacramento Update, the overall impact of the Governor's Proposed FY 2006-07 Budget is substantially less than in prior years, however, it contains various proposals that affect the County. The Budget proposes to continue the suspension of the Property Tax Administration Program and reduces funding for CalWORKs Programs for an estimated \$105 million loss of revenue, which is offset by \$78.8 million from the partial repayment of deferred mandates and the FY 2004-05 Proposition 42 loan, continuation of the Proposition 36 Program, and funding for election costs reimbursement. The estimated net loss to the County is approximately \$26.2 million.

Attachment I recaps the estimated impact on the County by program from the actions included in the Proposed Budget. Please note the attached table only illustrates the

potential loss of State funds based upon the Proposed Budget, and it does not reflect a definite impact to the County. The January Budget proposal is the first step in the budget process. The Legislature must now review, modify and approve their version of the Budget for FY 2006-07.

### ***Suspension of the Property Tax Administration Program***

For the second year in a row, the Governor's Budget suspended the State-County Property Tax Administration Program. This action results in a statewide loss of funding of \$60 million, of which the County's share will be \$13.5 million in FY 2006-07. Although the Governor indicated his willingness to work with the Legislature and counties to create a similar program, the new program is not expected to be implemented until FY 2007-08.

### ***AB 3632 Program***

During the FY 2005-06 budget process, the Governor expressed interest in shifting the AB 3632 Program from a State-mandate to a capped categorical program. The Administration intends to consult with mental health and education stakeholders to change AB 3632 into a categorical program starting in FY 2006-07. The Budget continues to provide \$100 million in special education funding in the Department of Education budget for mental health services to special education pupils as required by the Federal Individuals with Disabilities Education Act, and the Governor included \$50 million in non-Proposition 98 funds as a set-aside in the Commission on State Mandates budget to fund the proposed new categorical program. Although the Budget includes an additional \$50 million, this amount falls short of the \$60 million allocated in the current year. The potential impact to the County is about \$3.3 million.

### ***CalWORKs Programs Reductions***

The Governor's Proposed Budget would reduce the current year CalWORKs Child Care allocation by \$114 million and curtail the FY 2006-07 County Single Allocation by \$128 million Statewide. Although the Administration assumes counties will not have increased childcare costs in the current year, the California State Association of Counties and the County Welfare Directors Association disagree, and assert that the Administration does not have authority to implement mid-year reductions in the absence of legislative approval. In addition, the proposed Budget would delay \$30 million in incentive payments in FY 2006-07 to counties under the "Pay for Performance Program" pending full implementation of the "work first" and core work requirements. The estimated impact on the County from the CalWORKs program reductions totals \$88.2 million.

### ***Repayment of Deferred State Mandates***

The Budget Act of 2005 enacted a 15-year repayment plan to reimburse local governments for deferred State mandated costs incurred prior to FY 2004-05. The Proposed Budget for FY 2006-07 includes a payment of \$98.1 million as the first installment, of which the County will receive approximately \$14 million. It is important to note that the State currently owes the County a total of \$197.4 million for deferred mandates from FY 2001-02 through FY 2003-04.

***Continuation of Proposition 36 Funding***

The Governor's Budget proposes FY 2006-07 funding of \$120 million for Proposition 36, the Substance Abuse and Crime Prevention Act of 2000. This funding is conditioned upon the inclusion of reforms to the program. If the reform package is approved, the County's share will be \$30 million, however, it should be noted that in Los Angeles County alone, this level of funding would provide only 67 percent of the funds that were available in the current year.

***Election Cost Reimbursement***

The FY 2005-06 Budget Act includes \$54 million for reimbursement of costs associated with the November 2005 Special Election. The Budget proposes to maintain the \$54 million in FY 2006-07 to ensure sufficient funding is available for special elections and the June primary. The Registrar Recorder Department advises that the County would receive an estimated \$9 million for the November 2005 Special Election.

***LEADER System***

The Budget includes an \$842,000 increase to fund estimated expenditures for the extension of the LEADER contract beginning in May 2007. The estimated cost for maintenance and operation is \$11.4 million.

**Other Proposed Budget Items of Interest**

In addition to the issues identified above and in our January 10, 2006 preliminary analysis, the following proposals are also of interest to the County.

***General Government***

**Elimination of the Education Revenue Augmentation Fund III (ERAF) Payments.** Chapter 211, Statutes of 2004, required local governments to shift an additional \$1.3 billion in property tax revenues to ERAF III in FY 2004-05 and FY 2005-06. Under the provisions of Proposition 1A, starting in FY 2006-07, local governments would no longer be required to transfer additional property tax revenues to the State.

**Minimum Wage.** The Budget proposes to increase the State's minimum wage from \$6.75 to \$7.25 per hour, effective September 1, 2006.

***Mental Health***

**Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT).** The EPSDT Program will be transferred permanently from the State Department of Health Services to the State Department of Mental Health. The Proposed Budget includes \$714.4 million (\$352.3 General Fund) for the EPSDT Program, a net decrease of \$100.6 million from the FY 2005-06 level funding. Key adjustments include an increase of \$57.9 million for an increased number of projected claims, and a reduction of \$19.1 million for audit disallowances and county self-corrected claims.

### ***Social Services***

**Cash Assistance Program for Immigrants (CAPI).** Under current law, the income and resources of the sponsors are deemed to the CAPI recipient for a period of 10 years for purposes of eligibility. The Proposed Budget extends the income deeming period from 10 to 15 years for immigrants who entered the country on or after August 22, 1996. The Proposed Budget estimates that there will be a General Fund savings of \$12.5 million in FY 2006-07 and \$40 million in FY 2007-08.

### ***Justice and Public Safety***

**Citizens Option for Public Safety (COPS).** The Governor's Budget includes \$100 million from the General Fund to maintain the current-year level of funding for the COPS Program, which supports local law enforcement front-line services.

**Juvenile Justice Programs.** The Governor's Budget includes \$100 million in support of the Schiff-Cardenas Juvenile Justice Grants. This will maintain current-year levels of funding for this program that focuses on crime prevention strategies for at-risk youth.

**Adult Detention Local Assistance Payments.** The Governor's Budget proposes \$85.1 million to pay for outstanding claims through FY 2005-06 to counties for the detention of State inmates. This amount is intended to reimburse the County for \$30 million in claims in the current year. The Administration proposes \$11.9 million for this purpose in FY 2006-07 because it assumes that increased efficiencies will result in a need for less funding. While the nature of the efficiencies has not been revealed, in the absence of any changes in procedure by the State, the County estimates its claims to total \$32 million during the next fiscal year.

We will continue to keep you advised.

DEJ:GK  
MAL:MR:cc

Attachment

c:     Executive Officer, Board of Supervisors  
        County Counsel  
        Local 660  
        All Department Heads  
        Legislative Strategist  
        Coalition of County Unions  
        California Contract Cities Association  
        Independent Cities Association  
        League of California Cities  
        City Managers Associations  
        Buddy Program Participants

**ESTIMATED IMPACT TO LOS ANGELES COUNTY  
FROM THE FY 2006-07 GOVERNOR'S PROPOSED BUDGET  
(In Millions)**

	<b>FY 2006-07 Governor's Budget</b>
<b><u>Reductions :</u></b>	
Suspension of the Property Tax Administration Program	\$ (13.5)
AB 3632 Program	(3.3) <sup>(1)</sup>
CalWORKs Programs:	
FY 2005-06 Child Care Allocation	(38.2)
County Single Allocation	(40.0)
Pay for Performance Allocation	(10.0)
	<hr/> \$ (105.0)
<b><u>Augmentations / Restorations :</u></b>	
Repayment of Deferred State Mandates	14.0 <sup>(2)</sup>
Proposition 42 - FY 2004-05 Loan Early Repayment	25.0
Substance Abuse Crime Prevention Act (Proposition 36)	30.0 <sup>(3)</sup>
Election Cost Reimbursement	9.0 <sup>(4)</sup>
DPSS: LEADER System	0.8
	<hr/> \$ 78.8
<b>Estimated Net Impact</b>	<b>\$ (26.2)</b>

## Notes:

- (1) Reflects estimated impact based on the Statewide reduction of AB 3632 funds from \$60 to \$50 million.
- (2) First installment of the State's 15-year payment plan to reimburse cities and counties for deferred mandate costs.
- (3) Reflects funding for the continuation of Proposition 36 programs.
- (4) Reflects funding for reimbursement of costs associated with the November 2005 Special Election.

This table represents the estimated loss of State funds based upon the Governor's Proposed Budget. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.